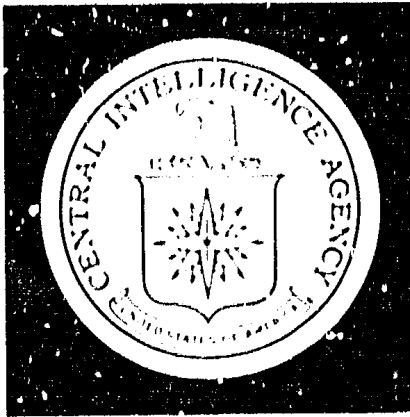


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DIRECTORATE OF
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SOUTH VIETNAM: The assassination of Nguyen Van Bong, leader of the Progressive Nationalist Movement (PNM), is a blow to one of the country's strongest political parties.

Bong was one of South Vietnam's most effective and respected politicians. His party is one of the few with real organizational strength in areas outside of Saigon, and it did fairly well in the recent National Assembly elections. The assassins are unknown, but because Bong had no known political or personal enemies, suspicion will fall on the Communists. Specific Communist motives for singling out Bong are not evident; in the past they have sometimes staged such terrorist acts to expose Saigon's vulnerability despite government security measures.

Bong was rumored to be in line for the post of prime minister if President Thieu reorganizes the government. There are indications, however, that Bong believed he would not get the job, and that he intended to have the PNM stick to the same moderate opposition course that it has followed since its inception in 1968.

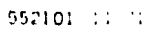
Bong's death probably will not cause much of a change in the party's policy, although its number two man, Nguyen Ngoc Huy, apparently is somewhat more sympathetic toward the government. (SECRET NO FOREIGN DISSEM)

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ECUADOR: At least four US tuna boats were seized yesterday operating some 65 miles off the coast of Ecuador.

These are the first seizures of the season; during the first three months of 1971 Ecuador seized 26 boats and collected some \$1 million in fines. At that time the US suspended sales under the Foreign Military Sales Act, and Ecuador then expelled the US Military Group. The foreign minister recently informed the US ambassador that Ecuador intended to enforce strictly its fishing regulations during the current season.

A contributing factor at this time may have been the fact that the commander of the navy was relieved on 8 November. His interim replacement may have wanted to make a strong impression and directed the seizures without referring to the political authorities in Quito. In any event, the government now will be under pressure to uphold the honor of the navy. (CONFIDENTIAL)

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CHILE: President Allende has announced that he will renegotiate the nation's foreign debt.

Chile's foreign creditors have been expecting such a move for several months. During 1971, Chile's foreign reserves plunged from about \$350 million to little more than \$100 million because foreign lines of credit dried up, export earnings from the recently nationalized copper industry declined, and food import requirements increased. Under present circumstances Chile's creditors will have little alternative but to agree to renegotiate. Socialist advisers might successfully pressure him to default if renegotiation were refused.

Allende publicly blamed the balance-of-payments crisis on the large foreign debt burden that he inherited and claimed that US "unilateral actions" to protect its own economy had aggravated the situation. The US import surcharge and the "suspension of foreign aid" specifically alluded to by Allende, in fact have had a negligible effect on Chile. Large-scale foreign aid and credits during the 1960s, however, sharply increased Chile's external debt, and the heaviest repayments are scheduled during the next few years. The American Embassy calculates net foreign debt outstanding at the end of 1970 at \$2.3 billion and scheduled debt service at an average \$330 million annually during 1971-73, about 35 percent of probable export earnings this year.

Chile could have covered its debt service obligations if copper output had increased as expected under the US companies' expansion program and if foreign confidence in Chile's credit had remained high. Santiago's failure to pay will affect mainly US and West European creditors. Of total debt repayments scheduled for 1971-73, almost 45 percent is owed to US creditors, 15 percent to international financial organizations, and most of the remainder to Western Europe, mainly Italy, West Germany, France, Spain, and the UK. (CONFIDENTIAL)

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PERU: The government has extended its control over private enterprise in an apparent effort to increase its ability to dictate policies.

On 8 November the minister of transport and communications announced a new law under which the government has expropriated 51 percent of the shares of all television stations in Peru. In order to restrict large media conglomerates, the law says that radio stations may be owned only by state companies, by mixed companies in which the government controls 25 percent interest, or by private companies organized exclusively for radio broadcasting. No single company can operate more than seven radio stations in the country or more than one radio station and one television station in the same department.

The government also will be able to increase its use of telecommunications for public "education" and propaganda because of the requirement that 60 percent of the programming be produced nationally. The military government has stressed throughout its tenure the importance of using radio and television for this end.

According to a spokesman, the government will deposit in the central bank the nominal value of the capital stock shares to be expropriated. The Ministry of Transport and Communications then will make an appraisal on the basis of a "technical and accounting audit" to determine the true value of the shares. The law provides for workers' "communities" to receive some sort of profit sharing but, unlike the systems in industry, fishing, and mining, does not establish workers' ownership or control.
(CONFIDENTIAL)

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NOTES

PAKISTAN: Islamabad has extended its unilateral debt moratorium through January 1972. This resulted from the failure of the consortium of aid donors to agree on debt rescheduling before the original six-month deadline of 31 October. Pakistan is continuing to repay the debt into blocked rupee accounts, but this procedure creates legal problems for some aid donors and could lead to a cutoff of some of the \$1.1 billion aid still in the pipeline. Rather than lose ongoing aid, Islamabad probably will negotiate bilaterally with these donors to overcome specific problems. Meanwhile, Pakistan is continuing its efforts to arrange multilateral debt rescheduling through the consortium. (CONFIDENTIAL)

* * * *

CUBA: Fidel Castro has announced that he will visit the USSR, Algeria, Bulgaria, and Hungary sometime next year. Algerian Foreign Minister Bouteflika left Havana just this week after two days of private talks with Castro and other high officials. In addition, a Hungarian deputy premier is currently in Cuba for an "official friendly visit." He is the highest ranking Hungarian leader to visit Cuba since diplomatic relations were established in 1960. The acceptance by Castro of invitations to visit at least five other countries after not being out of Cuba for more than seven years suggests that he is turning his attention to seeking greater international support for his government after a long period of concentrating primarily on domestic issues. (CONFIDENTIAL)

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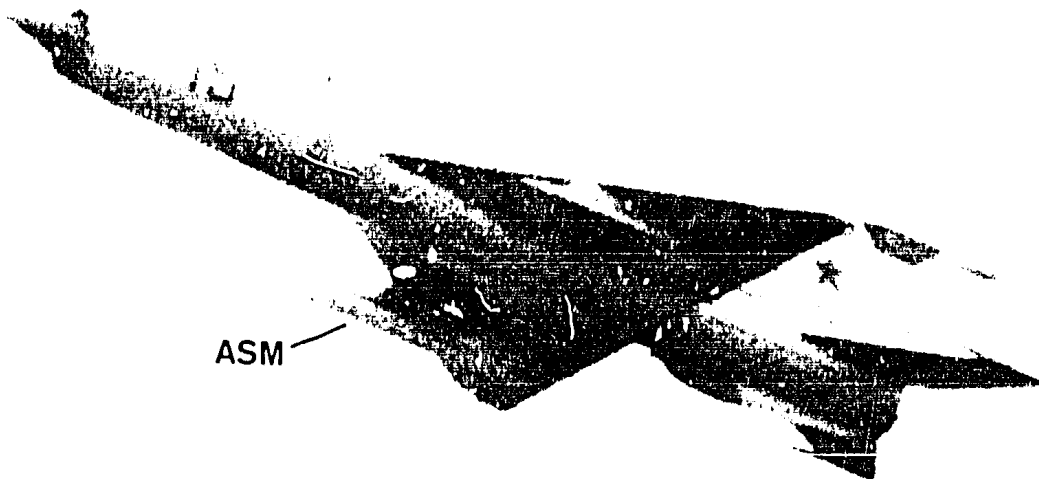
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MIG-21 With Tactical Air-To-Surface Missile



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USSR: The Soviets may have deployed their first tactical air-to-surface missile (TASM). The missile--resembling the US Bullpup--was first sighted in September by Western observers during a bombing competition between Soviet tactical air units stationed in East Germany. The new TASM is estimated to have a maximum range of up to six nautical miles with a warhead weighing 200 to 300 pounds. Such a missile would improve the ground attack potential of Soviet frontal (tactical) aviation which had been equipped only with bombs and unguided rockets. (SECRET)

* * * *

SOMALIA-USSR: President Siad probably hopes to acquire much-needed economic assistance during his visit to Moscow later this month. Since the coup of October 1969 the Soviets have gained considerable political and military influence in Somalia, but in fact they have provided only limited aid. About one third of the existing credits of more than \$60 million remains and the Somalis may negotiate for more favorable repayment terms. The almost \$110-million aid agreement concluded earlier this year between Communist China and Somalia is sure to be an element in the bargaining, but any new Soviet aid to Somalia will probably be modest. Moscow has recently been parsimonious with the hard-pressed Somalis, paying lower prices for Somali exports and sharply increasing Soviet prices for petroleum products badly needed by Somalia. (CONFIDENTIAL)

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